

FOCUSRITE AUDIO ENGINEERING LIMITED
CN 2357989

ABBREVIATED FINANCIAL STATEMENTS FOR THE
YEAR TO 31 AUGUST, 1996



FOCUSRITE AUDIO ENGINEERING LIMITED

**AUDITORS REPORT TO THE DIRECTORS
PURSUANT TO PARAGRAPH 8 OF
SCHEDULE 8 OF THE COMPANIES ACT 1985**

Report of the auditors to the members of Focusrite Audio Engineering Limited pursuant to paragraph 24 of Schedule 8 to the Companies Act 1985.

We have examined the abbreviated accounts set out on pages 3 to 7 together with the full financial statements of Focusrite Audio Engineering Limited prepared under section 226 of the Companies Act 1985 for the year ended 31st August 1996.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 8 to the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to the exemptions claimed in the directors' statement on page 3 and whether the abbreviated accounts have been properly prepared in accordance with that Schedule.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements.

Opinion

In our opinion the company is entitled under sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section A of Part III of Schedule 8 to that Act, in respect of the year ended 31 August 1996, and the abbreviated accounts on pages 3 to 7 have been properly prepared in accordance with that schedule.

Other information

Today we reported, as auditors of Focusrite Audio Engineering Limited, to the members on the financial statements prepared under section 226 of the Companies Act 1985 for the year ended 31st August 1996, and our audit report was as follows:

"We have audited the financial statements on pages 5 to 12.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 August 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985."


KPMG
Chartered Accountants
Registered Auditors

7 June

1997

FOCUSRITE AUDIO ENGINEERING LIMITED
ABBREVIATED BALANCE SHEET AT 31 AUGUST 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible assets	2	86,549	40,299
		<u>86,549</u>	<u>40,299</u>
CURRENT ASSETS			
Stock and work in progress		256,599	317,071
Debtors		276,548	172,229
Cash		76,647	- 0 -
		<u>609,794</u>	<u>489,300</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	3	(468,585)	(378,853)
NET CURRENT ASSETS		<u>141,209</u>	<u>110,447</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		227,758	150,746
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	4	(253,001)	(137,643)
NET LIABILITIES / ASSETS		<u>(25,243)</u>	<u>13,103</u>
CAPITAL AND RESERVES			
Called up share capital	5	1,150,000	1,150,000
Profit and loss account	7	(1,175,243)	(1,136,897)
		<u>(25,243)</u>	<u>13,103</u>
SHAREHOLDERS FUNDS	6		
Analysed as :			
Equity Interests		(1,430,905)	(1,330,528)
Non Equity Interests		1,405,662	1,343,631
		<u>(25,243)</u>	<u>13,103</u>

The directors have taken advantage of the exemptions conferred by Section A of Part III of Schedule 8 to the Companies Act 1985 on the basis that the company qualifies as a small company.

Approved by the board of directors on 15 May 1997 and signed on its behalf by:

P.S.Dudderidge



Director

FOCUSRITE AUDIO ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable Accounting Standards.

(b) Turnover

Turnover represents the value of work invoiced during the period excluding value added tax and long-term contract work-in-progress where the amount taken as turnover is attributable to the amount of work carried out to date.

(c) Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost or net realisable value. Cost, where appropriate, includes expenses incidental to acquisition, direct production and engineering costs and attributable overheads. Provision is made for future losses as soon as they are foreseen.

(d) Depreciation

Depreciation is provided at the following annual rates to write off the fixed assets over their expected useful lives:

Plant and machinery	25% on cost
Fixtures, fittings etc.	20% on cost
Computer equipment	25% on cost
Motor vehicles	25% on cost

(e) Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

(f) Operating lease contracts

Expenditure on operating lease contracts is charged to the profit and loss account as incurred over the lease period.

(g) Foreign Currencies

Transactions during the period are translated at the rates of exchange in effect on the dates of the transaction. Translation differences are included in the results for the year. Foreign currency assets & liabilities are translated at the rate of exchange ruling at the Balance Sheet date.

(h) Cash Flow Statement

The company qualifies as a small company as defined by sections 246 to 249 of the Companies Act 1985 and is accordingly exempt from preparing a cash flow statement as required by Financial Reporting Standard No.1.

FOCUSRITE AUDIO ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures, fittings, tools and equipment £	Computer equipment £	Motor vehicles £	Total £
Cost: @ 31st August 1995	61,704	20,311	56,339	27,284	165,638
Additions	23,072	2,529	35,984	449	62,034
Disposals	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
At 31st August, 1996	84,776	22,840	92,323	27,733	227,672
Depreciation: @ 31st August 1995	57,333	17,619	46,647	3,740	125,339
Charged in period	1,829	1,035	6,043	6,877	15,784
Disposals	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
At 31st August, 1996	59,162	18,654	52,690	10,617	141,123
Net book value:					
At 31st August, 1996	25,614	4,186	39,633	17,116	86,549
At 31st August, 1995	4,371	2,692	9,692	23,544	40,299

Included in the total net book value of motor vehicles is £16,722 (1995: £23,543) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £6,821 (1995: £3,740).

3. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Bank loans and overdrafts	136,748	64,499
Hire Purchase creditor	8,215	9,215
Trade creditors	288,749	279,782
Other creditors including taxation and social security:	574	552
PAYE and NI	10,749	8,142
Accruals and deferred income	23,550	16,663
	<u>468,585</u>	<u>378,853</u>

The bank overdraft is secured by a fixed and floating charge on the assets of the company.

4. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996 £	1995 £
Bank loans and overdrafts	170,393	50,000
Director's loan	80,019	76,839
Hire purchase creditor	2,589	10,804
	<u>253,001</u>	<u>137,643</u>

FOCUSRITE AUDIO ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SHARE CAPITAL

	1996 £	1995 £
Authorised:		
Equity share capital -		
Ordinary Shares of £1 each	50,000	50,000
Non-equity share capital -		
0% Redeemable Preference Shares of £1 each	705,000	705,000
10% Cumulative Redeemable Preference Shares of £1 each	400,000	400,000
	<u>1,155,000</u>	<u>1,155,000</u>
Issued and fully paid up:		
Equity share capital -		
Ordinary Shares of £1 each	45,000	45,000
Non-equity share capital -		
0% Redeemable Preference Shares of £1 each	705,000	705,000
10% Cumulative Redeemable Preference Shares of £1 each	400,000	400,000
	<u>1,150,000</u>	<u>1,150,000</u>

6. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
(Loss) for the financial year	(38,346)	(21,586)
Opening shareholders' funds	13,103	34,689
Closing shareholders' funds	<u>(25,243)</u>	<u>13,103</u>

7. RESERVES

	Profit & Loss Account £
At beginning of year	(1,136,897)
Loss for the year for equity shareholders	(100,377)
Appropriation from equity to non-equity interests	62,031
At end of year	<u>(1,175,243)</u>

The arrears of £62,031 on the preference shares have been included within non-equity interests on the balance sheet together with prior period arrears of £238,632.

8. REDEMPTION OF PREFERENCE SHARES

The Company may at any time redeem for cash at par the whole or any multiple of 10,000 of both classes of preference share by serving notice upon the holders specifying a date upon which redemption is to take place being not less than 14 days nor more than 30 days from the date of such notice. The Company shall redeem the whole of the Preference Shares for cash at par, immediately prior to a listing or a sale.

At 31st August 1996 arrears of cumulative preference shares due for redemption amounted to £266,667. These shares have not been redeemed because the company has insufficient distributable reserves. The final tranche of preference shares amounting to £133,333 falls due for redemption on 31st October 1996.

FOCUSRITE AUDIO ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. PREFERENCE DIVIDENDS

Dividends have accrued on the Redeemable Preference Shares but have not been charged to the Profit and Loss Account as there are not sufficient distributable reserves.

	1996 £	1995 £
10% Cumulative Redeemable Preference Shares of £1 each		
Amount in issue	400,000	400,000
Dividend for period	62,031	56,418
Accrued Dividend at year end	300,663	238,632

10. COMMITMENTS

The company has annual commitments under non-cancellable operating leases as follows:

	1996 £	1995 £
Operating leases which expire between 2 and 5 years	- 0 -	8,796

At the end of the Financial Year the company had entered into commitments amounting to £-0- (1995: £20,019) in respect of Hire purchase contracts.